

**Before the State of South Carolina
Department of Insurance**

In the Matter of:

Catawba Insurance Company,

1501 Lady Street
Columbia, South Carolina 29201.

**Order Lifting
Administrative Supervision
and Relieving Supervisor**

The South Carolina Department of Insurance brings this matter before me upon review of the business affairs and operations of Catawba Insurance Company (Catawba).

STATEMENT OF THE CASE

My March 8, 2005, Confidential Order Imposing Administrative Supervision (the Order) placed Catawba Insurance Company under the Department's administrative supervision because its capital and surplus decreased approximately 30% in two years, it experienced high loss ratios and expenses and it experienced significant losses such that this Department was concerned that its continued operation might prove hazardous to the insurance buying public. The Order specified that Catawba would remain under the Department's administrative supervision for at least six months.

FINDINGS OF FACT

1. Catawba has provided to the Department all documentation requested, including its most recent annual statement which appears to accurately reflect its financial affairs.
2. Catawba's policyholder surplus as of June 30, 2005 was \$6.955 million.
3. The combined ratio of the Company is 100%, down 34.3% from 12/31/04.
4. Catawba's expense ratio is down 11.1% from 61.5 % as of 12/31/04 to 50.4% as of June 30, 2005.
5. The Company's pure loss ratio is down 18.1% from 59.1% as of 12/31/04 to 41% as of June 30, 2005.
6. The net loss for the company is approximately \$57,000 as of June 30, 2005 compared to \$2.975 million in 2004 and \$1.149 million in 2003.
7. Catawba has also made several operational changes since being placed under supervision to obtain better control over and reduce the expense of its business operations.

8. The Company has experienced premium growth of 28% from June 30, 2004 to June 30, 2005 with a goal of continuing growth at a rate of 15%- 20% per year without changing its underwriting.
9. The Company is also implementing a plan to reduce expenses though changes in its management agreement and payroll.
10. Catawba's management is projecting a positive net income of \$150,000.00 by December 31, 2005.

CONCLUSIONS OF LAW

After a thorough review of the matter and giving consideration to the Companies compliance with the Order of Supervision, I hereby conclude as a matter of law:

1. Catawba has complied with Departmental requirements, the Order, and South Carolina law.
2. Catawba no longer appears to be in substantial financial risk as a result of some improvement in its financial condition, reduction in operational expenses and changes in management practices, policies and procedures.

ORDER

IT IS THEREFORE ORDERED that Catawba is released from the Department's supervision pursuant to the Administrative Supervision of Insurers Act. S.C. Code Ann. §§ 38-26-10, *et seq.* (2002) under the following conditions:

1. The Company shall be subject to a comprehensive financial exam during the spring of 2006;
2. The Company's financial statements shall be monitored on a quarterly basis; and
3. The Company shall be restricted from paying or distributing any funds not related to its basic operational expenses that are not specifically approved by this Department in writing, in advance.

IT IS FURTHER ORDERED that Dean F. Kruger is relieved from the responsibilities of Supervisor of Catawba given in the Order.

Pursuant to § 38-26-50 (D) of the South Carolina Code, a copy of this order shall be immediately transmitted to the National Association of Insurance Commissioners and to the insurance departments of all states in which the Companies transact business.

This order becomes effective on the date of my signature below.

A handwritten signature in cursive script, reading "Eleanor Kitzman".

Eleanor Kitzman
Director

8 September 2005
Columbia, South Carolina